

## **EXHIBIT V**

**President Bush Discusses the Middle East**

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THE WHITE HOUSE  
PRESIDENT  
GEORGE W. BUSH

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For Immediate Release  
Office of the Press Secretary  
July 16, 2007

**President Bush Discusses the Middle East**

Cross Hall

1:09 P.M. EDT

THE PRESIDENT: Good afternoon. In recent weeks, debate in our country has rightly focused on the situation in Iraq — yet Iraq is not the only pivotal matter in the Middle East. More than five years ago, I became the first American President to call for the creation of a Palestinian state. In the Rose Garden, I said that Palestinians should not have to live in poverty and occupation. I said that the Israelis should not have to live in terror and violence. And I laid out a new vision for the future -- two democratic states, Israel and Palestine, living side-by-side in peace and security.

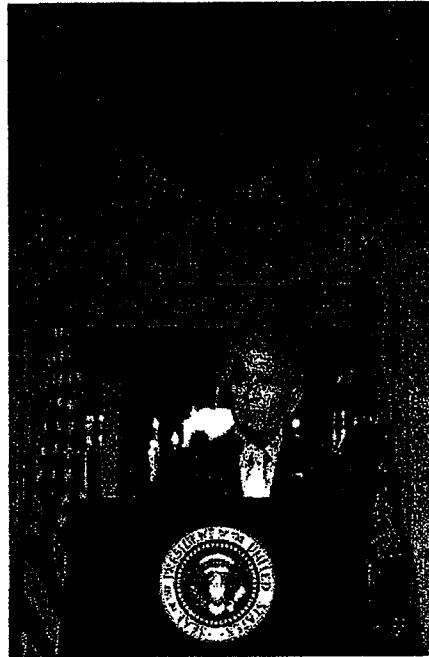
Since then, many changes have come — some hopeful, some dispiriting. Israel has taken difficult actions, including withdrawal from Gaza and parts of the West Bank. Palestinians have held free elections, and chosen a president committed to peace. Arab states have put forward a plan that recognizes Israel's place in the Middle East. And all these parties, along with most of the international community, now share the goal of a peaceful, democratic Palestinian state — a level of consensus never before seen on this crucial issue.

The past five years have also brought developments far too familiar in the recent history of the region. Confronted with the prospect of peace, extremists have responded with acts of aggression and terror. In Gaza, Hamas radicals betrayed the Palestinian people with a lawless and violent takeover. By its actions, Hamas has demonstrated beyond all doubt that it is [more] devoted to extremism and murder than to serving the Palestinian people.

This is a moment of clarity for all Palestinians. And now comes a moment of choice. The alternatives before the Palestinian people are stark. There is the vision of Hamas, which the world saw in Gaza — with murderers in black masks, and summary executions, and men thrown to their death from rooftops. By following this path, the Palestinian people would guarantee chaos, and suffering, and the endless perpetuation of grievance. They would surrender their future to Hamas's foreign sponsors in Syria and Iran. And they would crush the possibility of any — of a Palestinian state.

There's another option, and that's a hopeful option. It is the vision of President Abbas and Prime Minister Fayyad; it's the vision of their government; it's the vision of a peaceful state called Palestine as a homeland for the Palestinian people. To realize this vision, these leaders are striving to build the institutions of a modern democracy. They're working to strengthen the Palestinian security services, so they can confront the terrorists and protect the innocent. They're acting to set up competent ministries that deliver services without corruption. They're taking steps to improve the economy and unleash the natural enterprise of the Palestinian people. And they're ensuring that Palestinian society operates under the rule of law. By following this path, Palestinians can reclaim their dignity and their future — and establish a state of their own.

Only the Palestinians can decide which of these courses to pursue. Yet all responsible nations have a duty to help clarify the way forward. By supporting the reforms of President Abbas and Prime Minister Fayyad, we can help

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them show the world what a Palestinian state would look like -- and act like. We can help them prove to the world, the region, and Israel that a Palestinian state would be a partner -- not a danger. We can help them make clear to all Palestinians that rejecting violence is the surest path to security and a better life. And we can help them demonstrate to the extremists once and for all that terror will have no place in a Palestinian state.

So in consultation with our partners in the Quartet -- the European Union, Russia, and the United Nations -- the United States is taking a series of steps to strengthen the forces of moderation and peace among the Palestinian people.

First, we are strengthening our financial commitment. Immediately after President Abbas expelled Hamas from the Palestinian government, the United States lifted financial restrictions on the Palestinian Authority that we had imposed. This year, we will provide the Palestinians with more than \$190 million in American assistance -- including funds for humanitarian relief in Gaza. To build on this support, I recently authorized the Overseas Private Investment Corporation to join in a program that will help generate \$228 million in lending to Palestinian businesses. Today, I announce our intention to make a direct contribution of \$80 million to help Palestinians reform their security services -- a vital effort they're undertaking with the guidance of American General Keith Dayton. We will work with Congress and partners around the world to provide additional resources once a plan to build Palestinian institutions is in place. With all of this assistance, we are showing the Palestinian people that a commitment to peace leads to the generous support of the United States.

Second, we're strengthening our political and diplomatic commitment. Again today, President Abbas and Prime Minister Olmert sat down together to discuss priorities and resolve issues. Secretary Rice and I have strongly supported these meetings, and she has worked with both parties to sketch out a "political horizon" for a Palestinian state. Now we will intensify these efforts, with the goal of increasing the confidence of all parties in a two-state solution. And we will continue to deliver a firm message to Hamas: You must stop Gaza from being a safe haven for attacks against Israel. You must accept the legitimate Palestinian government, permit humanitarian aid in Gaza, and dismantle militias. And you must reject violence, and recognize Israel's right to exist, and commit to all previous agreements between the parties. As I said in the Rose Garden five years ago, a Palestinian state will never be created by terror.

Third, we're strengthening our commitment to helping build the institutions of a Palestinian state. Last month, former Prime Minister -- British Prime Minister Tony Blair agreed to take on a new role as Quartet representative. In this post, he will coordinate international efforts to help the Palestinians establish the institutions of a strong and lasting free society -- including effective governing structures, a sound financial system, and the rule of law. He will encourage young Palestinians to participate in the political process. And America will strongly support his work to help Palestinian leaders answer their people's desire to live in peace.

All the steps I've outlined are designed to lay the foundation for a successful Palestinian state in the West Bank and Gaza -- a nation with functioning political institutions and capable security forces, and leaders who reject terror and violence. With the proper foundation, we can soon begin serious negotiations toward the creation of a Palestinian state.

These negotiations must resolve difficult questions and uphold clear principles. They must ensure that Israel is secure. They must guarantee that a Palestinian state is viable and contiguous. And they must lead to a territorial settlement, with mutually agreed borders reflecting previous lines and current realities, and mutually agreed adjustments. America is prepared to lead discussions to address these issues, but they must be resolved by Palestinians and Israelis, themselves. Resolving these issues would help show Palestinians a clear way forward. And ultimately, it could lead to a final peace in the Middle East -- a permanent end to the conflict, and an agreement on all the issues, including refugees and Jerusalem.

To make this prospect a reality, the Palestinian people must decide that they want a future of decency and hope -- not a future of terror and death. They must match their words denouncing terror with action to combat terror. The Palestinian government must arrest terrorists, dismantle their infrastructure, and confiscate illegal weapons -- as the road map requires. They must work to stop attacks on Israel, and to free the Israeli soldier held hostage by extremists. And they must enforce the law without corruption, so they can earn the trust of their people, and of the world. Taking these steps will enable the Palestinians to have a state of their own. And there's only way to end the conflict, and nothing less is acceptable.

Israel has a clear path. Prime Minister Olmert must continue to release Palestinian tax revenues to the

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government of Prime Minister Fayyad. Prime Minister Olmert has also made clear that Israel's future lies in developing areas like the Negev and Galilee – not in continuing occupation of the West Bank. This is a reality that Prime Minister Sharon recognized, as well. So unauthorized outposts should be removed and settlement expansion ended. At the same time, Israelis should find other practical ways to reduce their footprint without reducing their security -- so they can help President Abbas improve economic and humanitarian conditions. They should be confident that the United States will never abandon its commitment to the security of Israel as a Jewish state and homeland for the Jewish people.

The international community must rise to the moment, and provide decisive support to responsible Palestinian leaders working for peace. One forum to deliver that support is the Ad Hoc Liaison Committee – a group chaired by Norway that includes the United States and Japan, the World Bank and the International Monetary Fund, and Arab states such as Saudi Arabia, Egypt, and Jordan. Today I call for a session of this committee to gather soon, so that the world can back its words in real support for the new Palestinian government.

The world can do more to build the conditions for peace. So I will call together an international meeting this fall of representatives from nations that support a two-state solution, reject violence, recognize Israel's right to exist, and commit to all previous agreements between the parties. The key participants in this meeting will be the Israelis, the Palestinians, and their neighbors in the region. Secretary Rice will chair the meeting. She and her counterparts will review the progress that has been made toward building Palestinian institutions. They will look for innovative and effective ways to support further reform. And they will provide diplomatic support for the parties in their bilateral discussions and negotiations, so that we can move forward on a successful path to a Palestinian state.

Arab states have a pivotal role to play, as well. They should show strong support for President Abbas's government and reject the violent extremism of Hamas. They should use their resources to provide much-needed assistance to the Palestinian people. Nations like Jordan and Egypt, which are natural gateways for Palestinian exports, should open up trade to create opportunities on both sides of the border.

Arab nations should also take an active part in promoting peace negotiations. Re-launching the Arab League initiative was a welcome first step. Now Arab nations should build on this initiative – by ending the fiction that Israel does not exist, stopping the incitement of hatred in their official media, and sending cabinet-level visitors to Israel. With all these steps, today's Arab leaders can show themselves to be the equals of peacemakers like Anwar Sadat and King Hussein of Jordan.

The conflict in Gaza and the West Bank today is a struggle between extremists and moderates. And these are not the only places where the forces of radicalism and violence threaten freedom and peace. The struggle between extremists and moderates is also playing out in Lebanon – where Hezbollah and Syria and Iran are trying to destabilize the popularly elected government. The struggle is playing out in Afghanistan – where the Taliban and al Qaeda are trying to roll back democratic gains. And the struggle is playing out in Iraq – where al Qaeda, insurgents, and militia are trying to defy the will of nearly 12 million Iraqis who voted for a free future.

Ceding any of these struggles to extremists would have deadly consequences for the region and the world. So in Gaza and the West Bank and beyond, the international community must stand with the brave men and women who are working for peace.

Recent days have brought a chapter of upheaval and uncertainty in the Middle East. But the story does not have to end that way. After the wave of killing by Hamas last month, a 16-year-old girl in Gaza City told a reporter, "The gunmen want to destroy the culture of our fathers and grandfathers. We will not allow them to do it." She went on, "I'm saying it's enough killing. Enough."

That young woman speaks for millions – in Gaza, the West Bank, in Israel, in Arab nations, and in every nation. And now the world must answer her call. We must show that in the face of extremism and violence, we stand on the side of tolerance and decency. In the face of chaos and murder, we stand on the side of law and justice. And in the face of terror and cynicism and anger, we stand on the side of peace in the Holy Land.

Thank you.

END 1:26 P.M. EDT